

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6292-01
Bill No.: HB 2078
Subject: Children and Minors; Public Assistance; Social Services Dept.
Type: Original
Date: April 10, 2012

Bill Summary: Changes the income eligibility guidelines for receipt of child care subsidy benefits.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	\$0	(Unknown greater than \$10,799,000)	(Unknown greater than \$10,799,000)
Total Estimated Net Effect on General Revenue Fund	\$0	(Unknown greater than \$10,799,000)	(Unknown greater than \$10,799,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Joint Committee on Administrative Rules (JCAR)** state the legislation is not anticipated to cause a fiscal impact to JCAR beyond its current appropriation.

Officials from the **Office of Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. **The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes this is a small amount and does not expect that additional funding would be required to meet these costs.** However, it is also recognized that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain within its core budget. **Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.**

Officials from the **Department of Social Services (DSS) - Children's Division (CD)** provide the following information:

Increased Income Guidelines:

For the projection of fiscal impact, the CD is breaking the additional eligibles into the following groups:

- a) Recipients up to 130%. These individuals would receive full benefits;
- b) Recipients between 130% and 134% of the FPL;
- c) Recipients between 134% and 185% of the FPL.

Assumptions used to calculate/estimate the fiscal impact for the groups:

- This estimate/methodology is based on the eligibility limit of a family of four whose yearly household income cannot exceed 122% of the FPL.
- In the early part of each Calendar Year (CY) the FPL is adjusted upwards.
- The cost to increase eligibility per percentage points is based on eligibility increases the past few years. The average cost per percentage point incurred by these increases was \$592,000. However, at some point there will be a substantial increase in the cost per percentage point. The exact level at which the cost will increase is unknown. For this fiscal note, the CD is using \$592,000 per percentage point increase.
- Transitional benefits are currently calculated at 75% of full benefit levels.
 - a) Additional recipients due to increasing the eligibility level to 130% with full benefits.

ASSUMPTION (continued)

Currently, households up to 122% of the FPL are eligible for and receiving full benefits. The benefit level would increase for families between 122% and 130% of the FPL. ($\$592,000 \times 8$ percentage points = $\$4,736,000$) The DSS already pays a transitional benefit totaling $\$1,128,000$ to these families, so new cost would be $\$4,736,000 - \$1,128,000 = \mathbf{\$3,608,000}$

- b) Transitional group - individuals currently receiving child care whose income increases and puts them in excess of 130% of the FPL up to 134% of the FPL:

Currently, households moving from 122% of the FPL to 134% of the FPL already receive a transitional benefit. This segment is already receiving the benefit and would not generate any new cost.

The proposal would also allow families who were not already receiving child care benefits to be eligible for transitional benefits. This segment of the population would generate cost which is unknown.

- c) Recipients between 134% and 185% of the FPL:

Based on existing participation, the cost of increasing the transitional benefit is approximately $\$141,000$ per percentage point. The minimum cost of this provision would be $51 (185 - 134)$ percentage points $\times \$141,000 = \$7,191,000$. This is the cost per percentage point for the existing recipients to receive the benefit up to a higher percentage of the FPL.

It is anticipated that there would also be an increase in utilization due to the higher income eligibility levels. Currently, most of the children who receive child care are from one-parent households. The increased eligibility levels would make some two parent households, where both parents are working, eligible. For example, 150% of the poverty level for a family of 4 is projected to be $\$34,575$ in spring of 2012. If both parents worked 40 hours per week at $\$8.50/\text{hour}$ their annual income would be $\$35,360$. Therefore, the impact for this group is estimated at unknown but greater than $\$7,191,000$. The additional families who are newly eligible for transitional child care benefits would increase the cost of implementation substantially.

Therefore, the total fiscal impact for this legislation is unknown but greater than $\$10,799,000$ and the **unknown piece could carry significant cost**.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
GENERAL REVENUE FUND			
§208.046			
<u>Costs - Department of Social Services</u>			
Increase in child care subsidy benefits	<u>\$0</u>	<u>(Unknown greater than \$10,799,000)</u>	<u>(Unknown greater than \$10,799,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0</u>	<u>(Unknown greater than \$10,799,000)</u>	<u>(Unknown greater than \$10,799,000)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

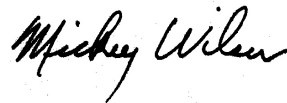
FISCAL DESCRIPTION

This proposal requires the Children's Division within the Department of Social Services to establish rules to become effective July 1, 2013, to modify the income eligibility criteria for individuals receiving a child care subsidy benefit. Full child care subsidy benefits must be paid for an individual with an income of less than 130% of the federal poverty level for the applicable family size. For an individual with income of 130% to 185% of the federal poverty level, the recipient must receive child care subsidy benefits in an amount reduced proportionately based on the income in excess of 130% of the federal poverty level for the applicable family size. An individual with income in excess of 185% of the federal poverty level for the applicable family size will be ineligible for child care subsidy benefits. These provisions cannot prohibit the imposition of a fee to a child care subsidy benefit recipient based on gross income and family size and based on a child care sliding fee scale established by the division. The sliding fee may be waived for a child with special needs as established by the division.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Social Services -
Children's Division
Joint Committee on Administrative Rules
Office of Secretary of State

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
April 10, 2012